



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### FISCAL AND POLICY IMPACT NOTE

**Resolution Number 11-12**

**Refunding and Refinancing -**

**Board of Education Administration Building**

Sponsor: Council President Boniface at the request of the County Executive

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#### Summary of Legislation

A RESOLUTION to approve the refunding and refinancing by the Board of Education of Harford County (the "Board") of obligations incurred by the Board pursuant to a Conditional Purchase Agreement with respect to lease-lease back financing, of an administration building containing approximately 70,000 square feet ("Administration Building") acquired by the Board on approximately .774 acres of land, more or less, at Hickory Avenue and Courtland Street, Bel Air, Maryland ("Property"); approving the use of alternative financing methods by the Board pursuant to Section 4-126(f) of the Education Article of the Annotated Code of Maryland; affirming that the approval of the refunding and refinancing and the alternative financing methods are intended to be without liability or obligation of Harford County, Maryland or the County Council of Harford County, Maryland.

The resolution will take effect on the date it is approved.

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#### Fiscal Impact Summary

The Board of Education is seeking to restructure the financing agreement for the Board of Education Administration Building. The changes would reduce the total payments for the facility by about \$1,200,000, but will not extend the term of the debt.

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#### Fiscal Analysis

Currently, the Board of Education makes annual payments for its administrative building of \$823,831.95. The proposed restructuring reduces that amount for each of the next 3 payments as noted in the table below. The remaining years will be paid at the current amount.

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<b>Current</b>		<b>Proposed</b>		<b>Difference</b>
4.974%	Interest	3.270%		-1.704%
18.00	Years Remaining	18.00		0
\$ 14,828,795.10	PAYMENTS	\$ 13,630,244.23		\$ (1,198,550.87)
\$ 823,821.95	2013	\$ 246,568.10		\$ (577,253.85)
\$ 823,821.95	2014	\$ 327,544.34		\$ (496,277.61)
\$ 823,821.95	2015	\$ 698,802.54		\$ (125,019.41)

The length of lease payment term will not change, but the interest rate will be reduced by 1.7%. This results in a savings of \$1,198,550.87, which will be recognized in the first three years.

The Board of Education is responsible for the agreed upon payments, not the County's government. The Board has already approved this restructuring, but the transaction requires the approval of the County Council, in accordance with State law.

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### **Additional Information**

Previous Introductions: None.

Fiscal Note History: Version 01 (May 4, 2012) based on Board of Education Resolution date April 30, 2012.

Fiscal Analysis was prepared by Chrystal Moore, County Auditor.  
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